



Muskogee City County Enhanced 911 Trust Authority

FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED

JUNE 30, 2013



Clothier & Company CPA's P.C.

P.O. Box 1495 * Muskogee, Ok 74402
(918) 687-0189 FAX (918) 687-3594

cccpa@yahoo.com



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cccpa@yahoo.com

P.O. Box 1495
Muskogee, Oklahoma 74402
918-687-0189 FAX 918-687-3594

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Muskogee City/County Enhanced 911 Trust Authority
Muskogee, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Muskogee City/County Enhanced 911 Trust Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Muskogee City/County Enhanced 911 Trust Authority as of

June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions of the financial statements that comprise the Authority's basic financial statements. The budgetary comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedure, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Clothier and Company, CPA's, PC
December 30, 2013

**Muskogee City County Enhanced 911
Balance Sheet
June 30, 2013**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	548,470
Accounts Receivable		68,000
Current Portion LT Receivable		76,592
Total Current Assets		693,062

Fixed Assets

Building		1,097,211
Furniture & Fixtures		624,006
Equipment/Vehicles		1,845,150
Software License		195,000
Accumulated Depreciation		(846,179)
Total Fixed Assets		2,915,188

Other Assets

Long-term Receivable		670,805
Less: Current Portion LT Receivable		(76,592)
Total Other Assets		594,213

Total Assets	\$	4,202,463
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	\$	52,130
Accrued Expenses		39,692
Accrued Vacation Payable		16,967
Current Portion LT Debt		425,267
Total Current Liabilities		534,056

Long Term Liabilities

Notes Payable		2,489,794
Less: Current Portion LT Debt		(425,267)
Total Long Term Liabilities		2,064,527

Net Assets

General Fixed Assets		425,394
Restricted Net Assets		0
Unrestricted Net Assets		1,178,486
Total Net Assets		1,603,880

Total Liabilities and Net Assets	\$	4,202,463
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See accompanying footnotes and independent auditors' report.

**Muskogee City County Enhanced 911
Income Statement
June 30, 2013**

Revenue

E-911 Phone Fees	\$ 1,022,520
CAD-RMS Mobile Contract	67,106
Dispatch Service Income	806,000
Miscellaneous Revenue	16,576
Interest Income	<u>68,601</u>

Total Revenue 1,980,803

Operating Expenses

Accounting/Auditing/Legal Expense	11,457
Contract Services	55,127
Employee Benefits	169,334
Dues & Subscriptions	492
Postage	189
Printing & Copying	159
Supplies	19,431
Telephone/Telecommunication	88,145
Utilities	22,097
Insurance	32,249
Miscellaneous Expense	1,191
Payroll Tax Expense	68,477
Wages	876,041
Vacation Wage Expense	(493)
Repairs & Maintenance	171,002
Payroll Service Fees	3,741
Travel/Meetings/Training	9,033
Interest Expense	94,528
Vehicle Expense	1,111
Depreciation Expense	<u>397,194</u>

Total Operating Expenses 2,020,505

Net Change in Unrestricted Net Assets (39,702)

Beginning Unrestricted Net Assets 1,257,188

Ending Unrestricted Net Assets \$ 1,217,486

See accompanying footnotes and independent auditors' report.

**Muskogee City County Enhanced 911
Statement of Cashflows
June 30, 2013**

Cash Flows From Operating Activities:	
Cash received from funding sources	\$ 1,022,520
Cash received from services	899,682
Cash paid to employees	(944,518)
Cash paid to suppliers	(516,835)
Net Cash Flows from Operating Activities	460,849
 Cash Flows From Non-operating Activities:	
Cash received from lease/purchase agreements	395,507
Cash paid for goods sold	0
Net Cash Flows from Non-operating Activities	395,507
 Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(123,920)
Proceeds from debt	0
Payment of debt	(752,553)
Payment of interest	(94,528)
Net cash Used for Capital and Related Financing Activities	(971,001)
 Cash Flows from Investing Activities:	
Receipt of interest	68,601
Net Cash Provided by Investing Activities	68,601
Net increase in cash and cash equivalents	(46,044)
Cash and cash equivalents at beginning of year	594,514
Cash and cash equivalents at end of year	\$ 548,470
 Reconciliation of Operating Income to Net Cash Flows from Operating Activities:	
Net income (loss)	\$ (39,702)
Less Interest Income	(68,601)
Add Depreciation Expense	397,194
Add Interest Expense	94,528
(Increases)/Decreases in Current Assets:	
Accounts Receivable	10,000
Increases/(Decreases) in Current Liabilities:	
Accounts Payable	31,310
Accrued Expenses	36,120
Net Cash Flows from Operating Activities	\$ 460,849

See accompanying footnotes and independent auditors' report.

1- NATURE OF THE ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Creation of Trust

The Muskogee City-County Enhanced 911 Trust Authority (the Authority) is a public trust, created February 10, 2009, under Title 60 of the Oklahoma Statutes, Sections 176-180, by virtue of an Interlocal Agreement, to provide the residents of the City and County of Muskogee the highest quality emergency services possible within the shortest time possible.

Basis of Accounting

The accompanying financial statements of Muskogee City County Enhanced 911 Trust Authority have been prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Deposits not covered by FDIC insured are to be collateralized.

Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Muskogee City County Enhanced 911 Trust Authority

Property, Plant and Equipment

Property, plant and equipment are recorded at cost when purchased or constructed. Donated property or equipment is recorded at fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets are capitalized when construction is completed.

Depreciation is recorded on a straight-line basis over the useful lives of the assets. Equipment is depreciated over 5 to 7 years and buildings are depreciated for 40 years. Assets having a value of \$250 or greater are capitalized.

2 – CUSTODIAL CREDIT RISK - DEPOSITS

Custodial Credit Risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The Authority maintains deposits in Citizens Security Bank in Muskogee, Oklahoma.

A public unit is insured through its official custodian. If the same individual or individuals are official custodian for more than one public unit, they are treated as one official custodian if action or consent by all of these individuals is required for the exercise of control over the funds of a single public unit. Deposits insured by the Federal Deposit Insurance Corporation up to \$250,000 for each public unit or \$250,000 total as of June 30, 2013. A Tri-Party Public Deposit Pledge and Custody Agreement through Citizens Security Bank secure the \$298,470 in deposits not covered by FDIC.

3 – PROPERTY, PLANT & EQUIPMENT

	Beginning Balance	Additions/ Deletions	Accumulated Depreciation	Book Balance
Building/Improvements	1,097,211	0	(69,182)	1,028,029
Furniture/Fixtures	622,521	1,485	(214,927)	409,079
Equipment	1,722,716	99,637	(493,270)	1,329,083
Software License	195,000	0	(65,000)	130,000
Vehicles	0	22,797	(3,800)	18,997
Totals	3,637,448	123,919	(846,179)	2,915,188

Depreciation expense for the year ending June 30, 2013 was \$397,194.

4 – SOURCE OF INCOME

The Authority receives revenue from fees generated by the 911 Emergency Number Act collected by telephone exchange companies in Muskogee, County. The 911 fees are charged on every land and cell phone line. The Authority also provides dispatch services for the City of Muskogee and Muskogee County Sheriff for a monthly fee.

Muskogee City County Enhanced 911 Trust Authority

5 – LONG TERM RECEIVABLE

During the current fiscal year the Authority collected \$314,605 from Muskogee County EMS to pay off note for the purchase of the radio equipment that the Authority had purchased from Motorola. As of June 30, 2013 there is \$340,805 still due from the City of Muskogee for radio equipment. Payments received are applied to the Motorola lease-purchase agreement discussed in the next note.

The following is a schedule of the long term receivable over the next five years:

	City of Muskogee	EMS	Total
December 1,			
2013	\$76,592	\$0	\$76,592
2014	79,732	0	79,732
2015	83,001	0	83,001
2016	86,404	0	86,404
2017	89,947	0	89,947
Thereafter	255,129	0	255,129
	<u>\$670,805</u>	<u>\$0</u>	<u>\$670,805</u>

6 – LONG TERM DEBT

On October 12, 2010 the Authority entered into a lease-purchase agreement with Government Capital Corporation for equipment, computers and software necessary to operate the 911-call center. The total amount of the agreement is \$1,600,000. Seven annual payments of \$262,551 (including interest) commenced October 12, 2011. Distribution of funds and receipt of payments are through Spirit Bank of Tulsa. The balance as of June 30, 2013 was \$928,963.

On December 29, 2009 the Authority entered into a lease-purchase agreement with Motorola, Inc. for the radio equipment totaling \$3,150,000 necessary to operate the 911-call center and for area agencies as mentioned in the preceding note. On February 1, 2013 the Authority refinanced this note with Government Capital Corporation with seven annual payments of \$250,037, including interest at 4.11% are to commence January 15, 2014. Distribution of funds and receipt of payments are through Spirit Bank of Tulsa. Balance as of June 30, 2013 was \$1,560,831.

Current maturities and debt service for the note are as follows:

	<u>Maturities</u>	<u>Debt Service</u>
2014	425,267	512,588
2015	437,723	512,588
2016	452,145	512,588
2017	467,047	512,588
2018	228,993	250,037
Thereafter	478,619	500,074
Totals	<u>2,489,794</u>	<u>2,800,463</u>
Less: current portion long term debt	425,267	
Total Long term debt	<u>2,064,527</u>	

Muskogee City County Enhanced 911 Trust Authority

7 – SUBSEQUENT EVENTS

Muskogee City/County Enhanced 911 has evaluated subsequent events through the date which the financial statements were available to be issued with none found.



Clothier & Company CPA's P.C
ccpa@yahoo.com

P. O. Box 1495
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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Muskogee City/County Enhanced 911 Trust Authority
Muskogee, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Muskogee City/County Enhanced 911 Trust Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muskogee City/County Enhanced 911 Trust Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given the limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muskogee City/County Enhanced 911 Trust Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliances. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Clothier & Company, CPA's, P.C.
December 30, 2013

Supplemental Information

**Muskogee City/County Enhanced 911
Budgetary Comparison
June 30, 2013**

	Original	Final	Actual	Variance
Revenue:				
E-911 Fees	1,068,000	1,068,000	1,022,520	45,480
Radio Lease Income	156,653	461,594	395,507	66,087
Dispatch Services	816,000	816,000	806,000	10,000
MPD Records Modules	0	58,687	58,687	0
CAD RMS Mobil Contract	59,040	59,040	67,106	(8,066)
Interest	0	0	68,601	(68,601)
Miscellaneous	0	0	16,576	(16,576)
Loan Proceeds	0	204,000	22,797	181,203
Total Revenue	2,099,693	2,667,321	2,457,794	209,527
Personnel:				
Salaries	850,000	850,000	875,548	(25,548)
Payroll Taxes	65,157	65,157	68,477	(3,320)
Employee benefits	172,000	172,000	169,334	2,666
Total Personnel	1,087,157	1,087,157	1,113,359	(26,202)
Operating:				
Utilities/Telephone	125,200	123,600	110,242	13,358
Insurance	36,000	36,000	32,249	3,751
Office Expenses/Printing	15,000	19,250	23,331	(4,081)
Travel/Training	20,000	14,000	9,033	4,967
Memberships/Dues/Sub	500	500	492	8
Equipment/Software Contract	154,040	154,040	166,462	(12,422)
Auto Expense	4,500	2,500	1,111	1,389
Postage/Freight	800	800	189	611
Contractual Services	65,000	76,409	66,584	9,825
Equipment/Maintenance	20,000	20,000	0	20,000
Interest expense	0	0	94,528	(94,528)
Miscellaneous	0	0	1,191	(1,191)
Debt/Lease Payments	571,496	869,879	752,553	117,326
Total Operating	1,012,536	1,316,978	1,257,965	59,013
Capital Outlay:				
Vehicle	0	23,000	22,797	203
Office equipment	0	0	1,485	(1,485)
Spare parts-radio consoles	0	16,500	3,410	13,090
Law&fire dispatsh NAED	0	60,000	0	60,000
Voice & Data recorder	0	100,000	52,686	47,314
Callworx Mapping Interface	0	5,000	4,541	459
New World MPD Modules	0	58,687	0	58,687
Total Capital Outlay	0	263,187	84,919	178,268
Total Expenses	2,099,693	2,667,322	2,456,243	211,079